



CITY OF POMONA COUNCIL REPORT

June 3, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

SUBJECT: Public Hearing - Adoption of Resolutions Approving the Fiscal Year 2019-2020 City of Pomona Operating Budget, Housing Authority Budget, Five Year Capital Improvement Program Budget, and Establishing the FY 2019-20 GANN Appropriations Limit

RECOMMENDATION:

It is recommended that the City Council and the City Council sitting as the Commission of the Housing Authority conduct the public hearing and after receiving comments and testimony adopt respectively the following resolutions:

- 1. RESOLUTION NO. 2019-68 ADOPTING THE FISCAL YEAR 2019-2020 CITY OF POMONA OPERATING BUDGET. (Attachment No.1)**
- 2. RESOLUTION NO. 2019-69 ADOPTING THE HOUSING AUTHORITY BUDGET FOR FISCAL YEAR 2019-20. (Attachment No 2)**
- 3. RESOLUTION NO. 2019-70 APPROVING THE 2019-2020 TO 2023-2024 FIVE YEAR CAPITAL IMPROVEMENT PROGRAM AND ADOPTING A CAPITAL IMPROVEMENT PROGRAM BUDGET FOR FISCAL YEAR 2019-2020. (Attachment No. 3)**
- 4. RESOLUTION NO. 2019-71 ESTABLISHING THE 2019-2020 GANN APPROPRIATIONS LIMIT. (Attachment No 4)**

EXECUTIVE SUMMARY

The Mayor and City Council were presented with the FY 2019-20 Proposed Budget at the May 13, 2019 Study Session. During the meeting, the Mayor and City Council had questions that were answered by the City Manager and respective Department Directors. This report summarizes the City's overall financial position for the Proposed FY 2019-20. The Proposed FY 2019-20 Budget for Citywide expenditures is \$257M, and is comprised of seven operating fund types (General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds and Housing Authority Funds). The budget for the General Fund increased \$5M over the prior year. Overall, the FY 2019-20 General Fund

Proposed Budget anticipates a \$1.2M surplus of revenues over expenditures. Since labor negotiations are not completed with the City's four bargaining units, the City Manager recommends that the \$1.2M surplus be held in reserve.

Any changes to the FY 2019-20 Proposed Budget after the May 13, 2019 Study Session have been highlighted in the "Discussion Section" of this staff report. Staff recommends the City Council adopt the budgets as presented. In accordance with the City Charter, the budget is to be adopted prior to the beginning of the new fiscal year.

PUBLIC NOTICING REQUIREMENTS - Pursuant to section 1006 of the City Charter, this item must be noticed in a newspaper of local circulation not less than two (2) weeks prior to the meeting. A notice for this hearing was published on May 17, 2019 in the Inland Valley Daily Bulletin.

FISCAL IMPACT - The adoption of the attached resolutions will establish the City and Housing Authority's Fiscal Year 2019-2020 Operating and Capital Improvement Program budgets as follows:

	<u>Proposed Budget</u>	<u>Revenue Estimate</u>	<u>Appropriation</u>
1)	City of Pomona Operating	\$235,451,025	\$228,582,862
2)	Housing Authority	17,178,032	16,494,509
3)	Capital Improvement Program		12,080,417
		<u>\$252,629,057</u>	<u>\$257,157,788</u>

PREVIOUS RELATED ACTION: City Council adopted the FY 2018-19 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 4, 2018, with amendments to the General Fund operating budget approved on June 18, 2018, July 2, 2018, August 6, 2018, September 10, 2018, September 18, 2018, October 15, 2018, November, 18, 2018, December 17, 2018, and March 18, 2019. City Council also approved the Budget Preparation Calendar, Budget Guiding Principles and the process for FY 2019-20 on January 7, 2019, received the Mid-Year Budget Report on March 18, 2019, and approved various amendments to the Operating and Capital Improvement Program budgets throughout the year.

DISCUSSION

OPERATING BUDGET

All Funds – The Operating Budget is the City's financial plan, and consists of revenues and expenditures to finance the current year operations of the various funds and programs for the fiscal year beginning July 1, 2019 and ending June 30, 2020. It is a flexible spending plan by which the City Council establishes legal authority for Departments to commit financial resources for the provision of services within the City of Pomona.

The recommended FY 2019-20 Operating and Capital Improvement Program Budgets total \$257.2M as follows:

Table 1

Fund Type	Revenue Including Transfers In	Appropriations Including Transfers Out
General Fund	\$114,928,251	\$113,763,884
Special Revenue Funds	36,634,281	34,768,944
Debt Service Funds	5,637,022	6,261,898
Capital Project Funds	12,272,984	522,470
Enterprise Funds	56,050,123	63,812,861
Internal Service Funds	9,928,364	9,452,805
City Operating Budget	\$235,451,025	\$228,582,862
Housing Authority	17,178,032	16,494,509
Capital Improvements	-	12,080,417
Total	\$252,629,057	\$257,157,788

General Fund – There are no changes proposed since the May 13, 2019 Study Session to the General Fund. At the end of FY 2019-20, the General Fund will meet City Council’s graduated benchmark Fund Balance Policy goal of 17% (\$19.3M). This factors in an \$18.8M starting fund balance based on the anticipated surplus in FY 2018-19, which could be more based on year-end projections. It should be noted as the annual General Fund expenditures increase each fiscal year, so will the Fund Balance Policy amount required. For every \$1M that the General Fund appropriations increase, a minimum of \$170,000 must be added to Fund Balance reserve.

On June 20, 2011, City Council adopted Resolution #2011-63A Fund Balance Reserve Policy, which included a graduated benchmark plan that would allow the City to reach the 17% policy goal by FY 2019-20. This plan was a nine-year plan and the benchmark goal for FY 2019-20 is 17% \$19.4M. The projected fund balance for FY 2019-20 will be \$640K above the benchmark goal of the recommended 17%. If the City does not meet its reserve requirement, the City’s bond rating could be downgraded which could drive interest rates up. It would also reduce the amount of funds available for emergency situations, cash flow needs in the first six months of the fiscal year, and one-time capital replacement projects in the future.

On May 2, 2011, the City Council adopted Resolution #2011-48 establishing a Fiscal Sustainability Policy which sets forth a directive for the use of annual “Surplus” funds as well as other reserve restrictions and contribution requirements. Specifically, the Policy requires contributions to future Capital Improvement Projects and Equipment Replacement. It is recommended to suspend these contributions until FY 2020-21 (as has been the case in previous years). Rather than drawing from these proscribed reserves, capital requests within the FY 2019-20 General Fund Budget are covered by projected operating revenues.

General Fund Appropriations – The General Fund is the largest fund of the City and represents approximately 44% of the City’s Operating Budget. The General Fund proposed budget for FY 2019-20 is \$113.8M, and it continues to maintain the City Council’s long standing

funding priorities by allocating 79% of the budget for public safety. The General Fund accounts for services such as Police, Fire, Library, Parks, Recreational Programs, certain Public Works operations, Development Services, City Council, Administration, City Clerk, City Attorney, Finance, and Human Resources. The proposed FY 2019-20 expenditure budget is \$113.8M, which is a \$5M increase over the prior fiscal year's budget as reflected in Table 2.

The \$5M increase for FY 2019-20 is a result of the Police Department's increase over FY 2018-19 by \$2.5M, and the Los Angeles County Fire Contract's increase of \$2M over the previous fiscal year. The impact of PERS increases and pending MOU's (memorandum of understandings) agreements also contributed to the increase. Additionally, the increase of \$995K in Public Works is related to the applied methodology for allocating the City's Liability Claims expense. This allocation is based on actual annual expenses that are tracked by Department/Division as experienced within the Liability fund. These expenses are then charged back to Departments/Divisions based on a three-year rolling average. This year's allocation significantly increased by the net amount of \$689K with the largest increase applied to Public Works..

Table 2

General Fund Expenditures	FY 2018-19 Budget	FY 2019-20 Proposed	Variance
Police	\$57,703,149	\$60,248,828	\$2,545,679
Fire	\$26,941,624	\$28,939,944	\$1,998,320
Public Works	\$6,944,251	\$7,939,391	\$995,140
Development Services	\$4,802,417	\$4,984,385	\$181,968
General Government	\$5,769,534	\$5,465,252	(\$304,282)
General Services	\$2,079,723	\$1,461,937	(\$617,786)
Neighborhood Services	\$3,456,003	\$3,668,698	\$212,695
Library	\$1,060,372	\$1,055,449	(\$4,923)
Total	\$108,757,073	\$113,763,884	\$5,006,811

General Fund Revenues – The FY 2019-20 General Fund Revenues have been estimated at \$115M. Overall, the estimates have increased by 5% from last fiscal year mostly due to the passage of Measure PG (TUT) Sales and Use Tax. Property Tax, Sales Tax and UUT make up 75% of the total General Fund Revenues and are estimated to increase by \$5.6M over the prior fiscal year. Details are provided in Table 3.

Table 3

Revenue Category	FY 2018-19 Budget	FY 2018-19 Y/E Est.	FY 2019-20 Proposed	FY 2018-19 Budget vs. FY 2019-20	FY 2018-19 Y/E Est. vs. FY 2019-20
Property Taxes	\$ 38,964,732	\$ 38,953,985	\$ 36,732,044	\$ (2,232,688)	\$ (2,221,941)
Sales Tax	\$ 21,111,400	\$ 21,111,400	\$ 31,646,180	\$ 10,534,780	\$ 10,534,780
Utility Tax	\$ 17,687,803	\$ 16,966,808	\$ 17,247,586	\$ (440,217)	\$ 280,778
Total - Big "3"	\$ 77,763,935	\$ 77,032,193	\$ 85,625,810	\$ 7,861,875	\$ 8,593,617
Other Taxes	\$ 13,072,900	\$ 12,866,900	\$ 13,175,575	\$ 102,675	\$ 308,675
Licenses, Permits, & Fees	\$ 6,323,035	\$ 6,716,551	\$ 6,569,880	\$ 246,845	\$ (146,671)
Charges for Svc	\$ 3,378,482	\$ 4,041,281	\$ 3,975,574	\$ 597,092	\$ (65,707)
Fines	\$ 2,310,480	\$ 1,960,080	\$ 2,224,436	\$ (86,044)	\$ 264,356
Other Revenues	\$ 6,750,334	\$ 6,755,970	\$ 3,356,976	\$ (3,393,358)	\$ (3,398,994)
Total - All Sources	\$ 109,599,166	\$ 109,372,975	\$ 114,928,251	\$ 5,329,085	\$ 5,555,276

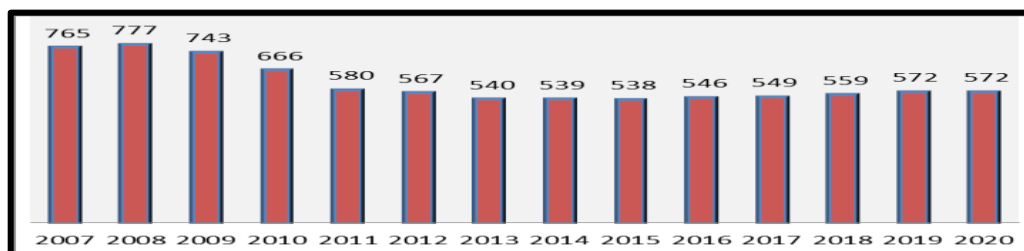
Special Revenue Funds – One Special Revenue Fund that has changed since the FY 2019-20 Proposed publication relates to discussion of the Public Art Fee fund. The Fund appropriation includes a \$75K increase over the City Manager's May 13, 2019 proposed budget and is reflected in the number presented for adoption.

Capital Projects, Debt Service, Enterprise, Internal Service Funds, and the Housing Authority Budgets - There are no changes proposed since the May 13, 2019 Study Session to these Fund types.

CITYWIDE PROPOSED STAFFING

As reflected in the proposed budget document and presented during the May 13, 2019 Study Session, Pomona's current authorized staffing level stands and is proposed at 571.60. Staffing cost for the FY 2019-20 Budget is calculated using currently approved labor contract provisions, increases in the City's retirement contribution rates (PERS), minimum wage and step increases for staff, overtime, and hourly staff. Personnel history and funding allocations by Department are shown in the Authorized Staffing section of this document and include a proposed authorized staffing level of 571.60 full-time equivalent (FTE) positions. In addition to these FTE positions, many Departments utilize part-time hourly employees to provide services to the community. As reflected in Table 4, there are no increases to the number of FTE's and reclassifications of positions since March of 2019. There are no proposed FY 2019-20 FTE position changes in the proposed budget. A total of 6 additional positions and 18 reclassifications were reviewed and not included in this budget proposal and may be brought forward for consideration at a later time.

Table 4



HOUSING AUTHORITY BUDGET

The Housing Authority budget as recommended for FY 2019-20 totals \$17.2M offset by \$16.5M in estimated revenues. The difference between the estimated revenues and recommended appropriations is \$683K which will be covered by available fund balance. This budget has not changed since the May 13, 2019 Study Session.

CAPITAL IMPROVEMENT BUDGET

The Capital Improvement Program (CIP) projects include building, upgrading or replacing City infrastructure such as residential and arterial streets, bridges, traffic signals, storm drain systems, parks, public facilities, etc. The separate five-year CIP document addresses in greater detail specific projects to be undertaken both short and long term. The recommended Capital Improvement Program (CIP) budget for 2019-20 totals \$12,080,417(Attachment No.3). Changes from the proposed document include \$600,525 of CDBG allocations approved on May 6, 2019 that have been appropriated to three CDBG projects included in the Proposed Budget document and \$111,376 of CDBG funds allocated to a new traffic project on May 6, 2019, which was not included in the Proposed Budget document. The name of this project is “Streetlights – District 6 (CDBG) (FY 19-20 to FY 21-22),” Project #428-2590-XXXXX-68565. This brings the total increase to \$711,901 from what was presented in the proposed document. All other amounts listed as pending in the proposed document have been moved to the unfunded category. As always, staff may recommend the CIP be amended through the year as funding is secured or otherwise identified. Table 5 displays the CIP Budget by Category and total funded amounts.

Table 5

Category	Estimated Prior Year Expenses	Estimated Prior Year Carryover	Adopted 2019-20	Following Four Years+
Streets	\$27,370,898	\$31,022,890	\$7,106,267	\$133,446,360
Traffic	2,510,626	2,348,281	694,430	30,040,447
Parks & Facilities	15,878,911	38,704,287	5,720	4,061,147
Water	4,657,417	3,056,835	4,274,000	350,000
Sewer	4,638,345	1,139,044	-	-
Storm Drains	186,831	125,984	-	9,819,867
Miscellaneous	4,272,286	2,712,348	-	-
Total	\$59,515,314	\$79,109,669	\$12,080,417	\$177,717,821

RECOMMENDED SUPPLEMENTAL BUDGET REQUESTS

General Fund – Recommended Supplemental Budget Request for Future Funding

Each year the proposed budget may include supplemental budget recommendations for staffing, service, and equipment requests. For FY 2019-20, the items listed in Table 6 below have been identified as priority projects in the General Fund which is recommended by the City Manager; however, staff is still working to identify a funding source. The most significant items listed are

the Police Specialty and Black & White patrol vehicles. The police vehicles are needed to continue to maintain the Police Department's fleet per the City's Fleet Management Policy.

Table 6

City Manager Recommended Supplemental Budget		
Fund / Department / Expenditure Description		Cost
General Fund		
Human Resources	NeoGov Annual License and Training	\$20,662
Human Resources	Meritorious Service Awards	\$25,000
Library	Library Furniture Replacement	\$25,000
Neighborhood Services	2019 Ford Ranger XL 2WD Super Cab 6' Box (Repl Unit #50029)	\$28,000
Neighborhood Services	2019 Ford Ranger XL 2WD Super Cab 6' Box (Repl Unit #50044)	\$28,000
Police	Replace Elevator in Police Station	\$112,000
Police	8 new specialty and black and white police cars with builds	\$467,905
Public Works	Historical Sites Maintenance Repair	\$30,000
Public Works	2 Storage Containers with roll up door and roof vents	\$10,000
Public Works	Trailer for 2nd HEART Crew	\$10,172
	Total General Fund	\$756,739
Information Technology	Outsourcing Rewriting of Web Site	\$100,000
	Total Information Technology Fund	\$100,000

Other Funds – Recommended Supplemental Budget Request with Identified Funding

Table 7 includes supplemental budget recommendations for service and equipment that have been approved by the City Manager and are included in the FY 2019-20 Proposed Budget.

Table 7

City Manager Recommended to be Funded Capital Equipment/ Supplemental Budget Items		
Fund / Department / Expenditure Description		Cost
General Fund		
Police	Police Department Radio System Software/Operating System upgrades	99,200
	Total General Fund	99,200
Capital Outlay Fund		
	Carryover from 2017-18	
Development Services	Citywide Zoning Code Update	67,661
		67,661
Equipment Maintenance Fund		
Public Works	Ford Transit Cargo Van	37,500
	Total Equipment Maintenance Fund	37,500
Water Fund		
Water Resources	Wash Rig	25,000
Water Resources	Generator	115,000
Water Resources	Safety System Harness	7,000
Water Resources	Light Tower	10,000
Water Resources	Message Board	16,000
Water Resources	Vehicle GPS	10,000
Water Resources	Compressor Trailer	64,000
Water Resources	Vac Trailer	42,000
Water Resources	Polymer Pumps (2)	19,000
Water Resources	Containment Building	21,000
	Carryover from 2017-18	
Water Resources	Laserfiche License	45,000
Water Resources	Seismic Valves	75,300
Water Resources	2 Compressor Trailers	63,960
Water Resources	1/2 Ton Pick-Up Truck - Unit# 82014	32,431
Water Resources	Chlorine Tanks	20,000
	Total Water Fund	565,691
Sewer Fund		
Water Resources	Vehicle GPS	3,100
	Carryover from 2017-18	
	CNG-Power Combo Vacuum Jetter Truck	468,624
	Total Sewer Fund	471,724
Traffic Offender Fund		
Police	2003 GMC 2500 Crew Cab Long Bed Truck (Repl Unit #20-558)	65,000
	Total Traffic Offender Fund	65,000
	TOTAL - All Requests	1,306,776

GANN APPROPRIATIONS LIMIT

In November 1979, California voters approved Proposition 4 commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government from the proceeds of taxes. Pursuant to California Government Code, the City is required annually to adopt the adjustment factors and the appropriations limit by resolution. The appropriations limit for any fiscal year is equal to the previous fiscal year's limit adjusted for population growth in Los Angeles County or the City of Pomona and the State per capita income as supplied by the State of California Department of Finance and reflected in Schedule A (Exhibit A of Attachment No.4). The Calculation of Proceeds of Taxes is shown in Schedule B (Exhibit A of Attachment No.4). The 2019-20 appropriations limit, based on the proposed General Fund budget, is calculated at \$251M. The City's FY 2019-20 General Fund budget "Appropriations Subject to Limitation" is \$95M which is \$156.2M below the allowable limitation. As always, the numbers reflected herein and in the attachments will be changed to reflect any changes made to the operating budget prior to its adoption.

CONCLUSION

The Proposed Budget is compiled and recompiled to accomplish the accurate layering of revenue estimates, anticipated expenses, cost allocations, transfers and accruals involved with accounting for a City with multiple operations like the City of Pomona. In the end, the FY 2019-20 Proposed Budget is the staff's best estimate of a spending plan within available resources to meet the Council's goals and public's expectations for the upcoming year. As reflected in the body of this message, when the voters approved Sales Tax Measure (PG), they prevented fiscal insolvency. This Proposed Budget has been crafted, with great anticipation, to continue City services keeping faith with the voters' will.

The FY 2019-20 General Fund Proposed Budget anticipates a \$1.2M surplus of revenues over expenditures. Since labor negotiations are not completed with the City's four bargaining units, the City Manager recommends that the \$1.2M surplus be held in reserve. Staff has acknowledged the biggest challenge continues to be working to improve City services and meeting the City's goals and objectives. The development of this budget is a dynamic process and there will be ongoing economic issues that may require additional attention as we progress through the fiscal year. The City will remain vigilant in monitoring the budget and will evaluate fiscal impacts in a responsive and fiscally sound way.

ALTERNATIVE(S): None

Prepared by:

Andrew Mowbray
Finance Director/City Treasurer

ATTACHMENT(S):

Attachment No. 1 – Resolution No. 2019-68 with FY 2019-20 Operating Budget as Exhibit A

Attachment No. 2 – Resolution No. 2019-69

Attachment No. 3 – Resolution No. 2019-70 with FY 2019-20 CIP Budget by Category as
Exhibit A

Attachment No. 4 – Resolution No. 2019-71 with GANN LIMIT Appropriations Limit as
Exhibit A